EXHIBIT 3

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Rincon Networks

Marketing Requirements Document (MRD)

Platform

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Author:
Mieko Kusano

This document describes the Marketing Requirements for the Rincon platform

Rincon Networks
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3 Products and Competition

3.1 Digital music devices

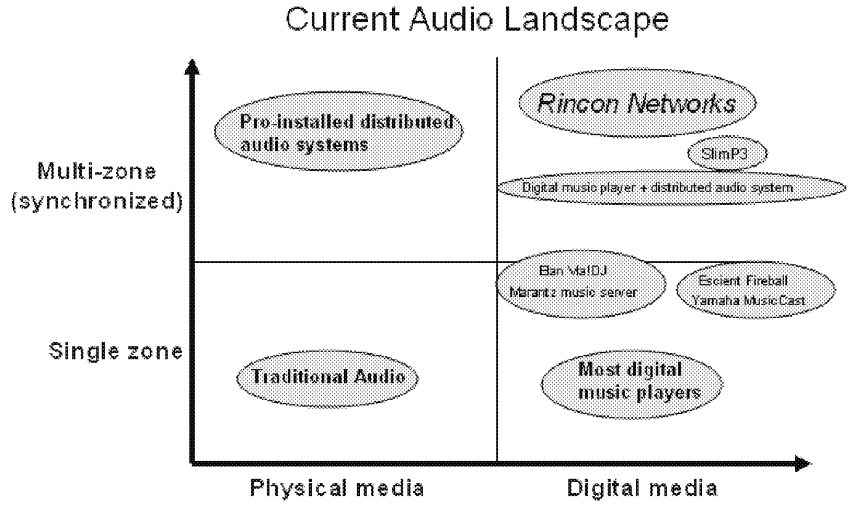
A wide variety of systems enable people to play *digital music* at home through an interface and speakers separate from their PC. These are generally first generation devices, none of which have gained widespread adoption. These devices promise away-from-PC convenience, a solution to the challenge of managing large collections of physical media, superior sound quality, and simpler interfaces. *The unifying vision of these products is convergence: to combine the benefits of storage, organization, and content availability of digital music, with the simplicity of traditional audio equipment.*

3.1.1 Distributed home audio

Separately, solutions exist for distributing and controlling audio through multiple rooms of a home. These products involve traditional analogue audio equipment, professionally installed wiring, and electronic control panels. The central goal of these solutions is to enable people to have high quality music sources (CD, radio, etc.) which can be selectively played in various rooms of a house. Remotes and in-wall control units enable people to adjust the volume for their room, and in some cases, directly control the music source (skip, pause, etc.).

3.1.2 Industry analysis

The markets and products for the above two solutions have not yet converged, but are early in the process of doing so. Devices designed for playback of digital music have not been designed to support synchronized distributed home audio. And distributed audio solutions have remained analogue, expensive, and time consuming, and have not capitalized on the benefits of home networking.



Currently, the only way for a person to achieve both away-from-PC digital music playback and distributed audio, is to connect a digital music player to their stereo system, and also purchase a professionally installed distributed audio system.

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This solution is costly and inefficient, requiring extensive hardware, custom installation, and expensive, customizable remotes.

Rincon positioning
Rincon Networks' solution: to achieve both objectives with a single system, by distributing audio from both digital and physical media throughout the house in a fully digital format, with powerful, fully integrated location independent control and content access. This has 2 major benefits to the user:

- improved ease of use (control and access of digital content anywhere in and around the home) and
- lower cost (in money, time and effort).

Substitute Solutions
The obvious alternative to purchasing a dedicated digital music device is to purchase high quality powered speakers for an existing computer. This requires virtually no installation or familiarization time, provides inexpensive and immediate access to all content on their PC, and allows people to use their preferred music management software. However, it requires people to operate the PC whenever they want to adjust the music and does not readily support distributed audio.

One simple alternative to purchasing a distributed audio system is to purchase multiple Bose Wave Radios ($500) for each room. This is easy, well tested, and requires no installation, but provides no access to digital music and does not offer high quality audio nor synchronized audio or centralized control.

3.2 DIGITAL MUSIC DEVICES

The market of home digital music devices has only recently emerged, and remains confused with a wide variety of products and an absence of distinct product categories. Nonetheless, some rough categories are developing which segment the market along two axes: the means of music storage, and the presence of an amplifier.

Note: with regards to storage trends please refer to topic "storage" in PCP issue's list.
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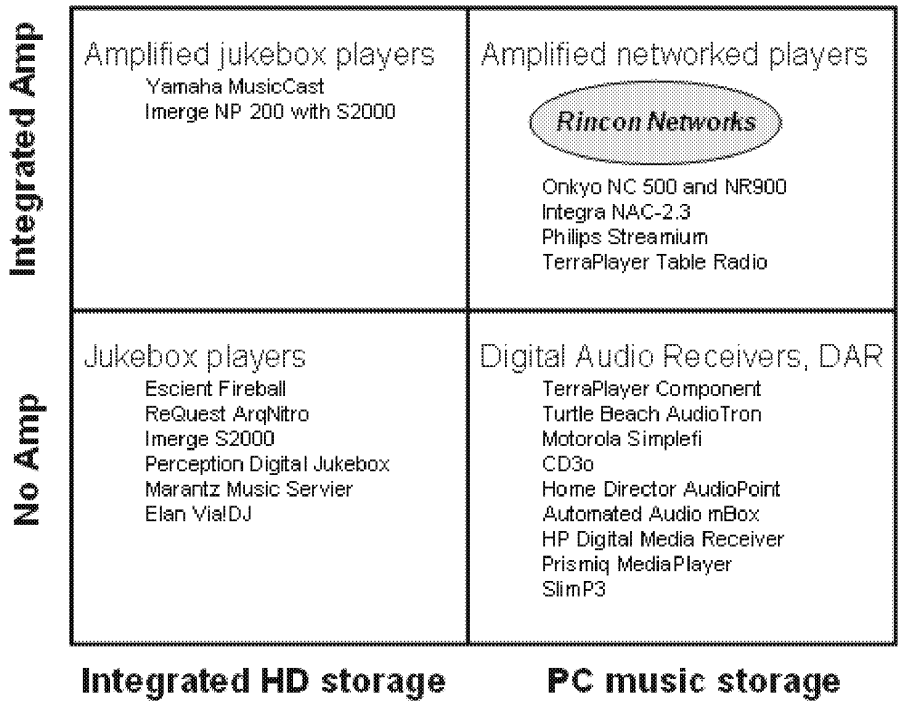

3.2.1 JUKEBOX PLAYERS

Description
These systems store music on a large integrated hard drive and distribute the music to a stereo receiver which amplifies the signal. Some products are single units which contain the hard drive and player. Others use a client server architecture in which a music server delivers audio to distributed clients.

Target Customers
Affluent music lovers with large CD collections.

Advantages
- Reliability and ease of use (perception) due to the dedicated hard disk in conventional CE packaging
- No need for a PC
- Client server architecture allows clients to be placed in multiple rooms and to be controlled centrally or individually.

Limitations
- Requires transferring existing music from the PC to the device.
- No easy back-up due to the dedicated hard disk and mostly closed system approach.
- Expensive systems, users having to pay a high price for the built-in storage compared to PC or networked attached storage solutions. (see also: storage section in PCP folder)
- Many of these products do not support Internet radio. However, the recent and expected evolution of this category is toward a loosening of these limitations, with systems that are designed for networking.

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- Because these systems do not have amps, they must always be attached to a traditional stereo component or amplified speakers.
- Most don't have synchronized multi-zone audio.
- Expensive and difficult to distribute control of system to zones.

3.2.2 DIGITAL AUDIO RECEIVERS (DARs)

Description
Although these devices do not contain amps, the media has widely labeled them as digital audio receivers, but "players" is more accurate. These systems distribute digital music from a PC or (in some cases) a networked drive, and deliver it to a stereo receiver. Some (such as the HP and Prismiq) provide for picture/video storage and access as well (through video output on TV), also classified as media- adapters.

Target Customers
Digital music buffs who download many MP3s and enjoy Internet radio, and want a means to play their digital music over their higher quality stereo.

Advantages
- Since these systems access music on PCs rather than storing music on internal hard drives, they are generally less expensive than Jukebox systems.
- Convenient for accessing digital music that is already stored on PCs.
- Generally support Internet radio.

Limitations
- The reliance on PC hard drives suffers from less reliability and the need for the PC to always be on. Some of these devices can also access music from a NAS (network attached storage device) since they do not require a PC server application running, which solves these problems.
- Because these do not have amps, they must always be attached to a traditional stereo component or amplified speakers.
- Most don't have synchronized multi-zone audio
- Expensive and difficult to distribute control of system to zones.

3.2.3 AMPLIFIED JUKEBOX PLAYERS

Description
These products store music on an internal hard drive and have integrated amps. The two products currently in this category both employ a client-server architecture, although that is not fundamental to the category.

Target Customers
Affluent music lovers with large CD collections who want to access music from many rooms in their house. Yet these people may not be satisfied with the small amps of these products.

Advantages
- The client server design promotes the use of multiple clients in different zones.

- Integrated amps make it easy to distribute the clients throughout a house
- Dedicated hard drive promotes reliability and performance, and does not require a PC to be on.

Limitations

- These products exclusively pull music from their internal hard drive, and cannot access PC based music or Net radio. Limiting the music access to the integrated server is primarily a business, not a technology, decision, and under consumer pressure these devices could easily incorporate Net radio and PC based music.
- No synchronized multi-zone audio
- Weak amps may be insufficient for target customers
- Expensive and non flexible storage solution (see also Jukebox Players)

3.2.4 AMPLIFIED NETWORKED PLAYERS

Description

Similar to the Digital Audio Receivers, but these devices include integrated amplifiers, making them replacements of conventional stereo units, rather than inputs to stereos. A small and nascent category, the wide range of feature combinations mean that a diversity of products will emerge from this category, including both low end and high end devices. Already, the Philips Streamium has demonstrated that a fully functional device can retail below $300.

Target Customers

Digital music buffs who download many MP3s and enjoy Internet radio, and want a means to play their digital music over higher quality speakers, in different rooms of the house, with easy installation.

Advantages

- Products in this category provide the most flexibility and convenience
- Easily access digital music that is already stored on PCs.
- Can directly connect to speakers, with no need for separate amps/receivers.
- Similar to the DAR category, since storage is not an integral part of the product, in future these products could support networked attached storage next to PC storage providing the benefits of reliability, access and "always on".

Limitations

- Existing devices operate independently, and do not support synchronized multi-zone audio.
- Existing products use relatively small LCD screens on the units, with on-unit buttons, and an IR remote for more advanced control.

3.2.5 EXPECTED PRODUCT EVOLUTION

All home digital music devices, even those within the same product category, vary along a number of features. Yet once the market develops and consumers express their preferences through buying habits, companies can be expected to abandon their *a priori* product visions, and implement features which customers consider valuable. For features which are not technically

difficult to implement, products will evolve considerably, and current incarnations of products will have little influence in 2-3 years.

Product features which are easy to modify include:

- Wireless vs. Ethernet networking
- Accessing PC based music vs. only streaming from a proprietary server
- Presence of an amplifier
- Inclusion of Net radio

However, these product categories include some features which are inherently difficult to implement. Despite increasing clarity of customer preferences, these features may not become standardized and commoditized for a very long time, and will likely be lasting points of differentiation between products. By successfully solving these hard problems, companies will build defensible points of differentiation.

These inherently difficult features include:

- Powerful, intuitive interface and control
- Easy, plug and play installation
- Integration with 3rd party music sources and players
- Synchronized distributed audio
- Location independent remote control

All product categories described above have not managed at this point in time to successfully implement these difficult features. For Rincon, it will be important to address these issues appropriately since not only will these imply major distinguishers that make barrier to entry more difficult for competitors, the market adaptation and customer acceptance without appropriate handling of the above features is doubt-full.

A matrix with the overview of the products that are featured in this chapter can be found at \\Sb-srv1\Rincon General\Product Creation Process\MRD references\Product matrix and an abbreviated version is attached in this document.

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Company	Product	Price	Price: 3 Zones	Music Storage	Networking	Amp	Control options	Display	Multi-zone
Philips	Streamium 250	guess: $379-499	$1,500	PC	802.11b	50 per	IR remote, display on unit	5 line LCD on unit	No synch, no central control
TerraDigital	TerraPlayer	$900 with speakers, $800 w/o	$2,700	PC	900MHz	25 per	Graphical touchscreen on unit	graphics; album art and genre maps	No synch, no central control
Motorola	Simplefi	$259	$777	PC	HomeRF	No	IR remote, display on unit	3 line LCD on unit	No
CD3o	c100 to c300	$130-$200	$600	PC	802.11b or ethernet	No	Remote, with voice info, or PC	Voice guide or PC	No
Turtle Beach	AudioTron	$275	$825	PC	Ethernet or HPNA	No	IR remote, display on unit, or PC	2 line LCD on unit	No synch
SlimDevices	SlimP3	$239	$717	PC	Ethernet	No	IR remote, display on unit, or PC	fluorescent unit display	Yes, with synch
Home Director	AudioPoint	$269	$807	PC	Ethernet	No	PC	None	Yes, no synch
Philips	Streamium 200	$279	$837	PC	Ethernet	50 per	IR remote, display on unit	5 line LCD on unit	No synch, no central control
Onkyo	NC500-PKG	$500 list	$2,350	PC	Ethernet	15 per	IR remote, display on unit	4 line LCD on unit	With NR900, no synch
Onkyo	TX NR900	$1,350	$2,350	PC	Ethernet	110 per	IR remote, simple display on unit, or TV	1 line LCD on unit, TV	With NC500s, no synch
Integra	NAC-2.3 with software	$500	$1,500	PC or NAS-2.3	Ethernet	15 per	IR remote, display on unit	4 line LCD on unit	No synch, no central control
Prismiq	MediaPlayer	$250	$750	PC	Ethernet or 802.11b	No	IR remote, IR keyboard, TV	TV	No synch, no central control
HP	Digital Media Recvr	$300	$900	PC	802.11b or ethernet	No	IR remote	TV	No synch, no central control
Sony	Roomlink	$300	$900	PC	Ethernet or 802.11a	No	IR remote	TV	No synch, no central control
Yamaha	MusicCast	$2,800; server+1 client; $800 per client	$4,400	Local	802.11b or ethernet	Yes	LCD on clients, IR remote for TV display	LCD on clients, TV display	Up to 8 zones, no synch
Perception Digital	PDHercules Jukebox II	$320	$960	Local	No	No	2 way IR remote with LCD display	8 line LCD on remote	No
Escient	Fireball E-40	$2000, $1000 per zone	$4,000	Local or PC	Ethernet	No	IR remote, keyboard,unit LCD, TV or touchscreen, or PC	LCD display on unit, or video out to TV or touchscreen	Yes, with synch
ReQuest	ArqNitro	$2,500	$7,500	Local or PC	Ethernet	No	IR remote for TV, keyboard, PC, Web, 3rd party	TV, PC, Web, 3rd party, Ipaqs, 4 line LCD on unit	multi-zone, no synch
Imerge	s2000 and NP200	$2500+ Np200s	$3,500	Local	Ethernet	15 per	IR remote, simple display on unit, or TV	4 line LCD on unit or TV	3 zone, + extra NP200s, no synch
Marantz	MusicServer	$3,300	$3,300	Local	Ethernet	No	Unit buttons, remote, 3rd party remote, PC	Unit LCD, PC	4 zone, no synch
Elan	VialDJ	$3,600	$3,600	Local	Ethernet	No	Via touchscreen, remote,	Unit LCD, TV	4 zone, no synch

KEY Similar to Rincon:
Different from Rincon:

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3.3 CONVENTIONAL DISTRIBUTED AUDIO SYSTEMS

3.3.1 INDUSTRY OVERVIEW

Distributed audio is a fairly high end luxury item, and is currently the largest source of revenue and profit for CEDIA (Custom Electronic Design and Installation Association) businesses[1]. Distributed audio installations have become particularly popular in new homes, because there is a lower cost of wiring during home construction. Currently 8% of new homes are being installed with a distributed audio solution, and because of the strong home construction market, this product category has performed well over the past couple years.

Almost all of these systems are sold and installed through professional installation channels, generally CEDIA members. Since these solutions are usually adopted by people who do not have the skill or time to install the solutions themselves, they hire a professional installer who advises and recommends on the system configuration, sells the equipment, and installs the entire solution.

This growth of distributed audio is against a backdrop of sharply declining sales in traditional home audio equipment:

- Sales of rack audio systems declined from 501,000 units in 1997 to only 80,00 in 2001[2]
- Unit sales of tuners fell 16% from 2001 to 2002, from 11,126 to 9,356. [3]
- Unit sales of home compact disc equipment fell 30% from 2001 to 2002, from 1,506,370 to 1,050,785 [3]
- Sales of compact audio systems declined from 10,600,000 units in 1999 to 10,175,000 in 2001, while the dollar sales fell from $1,695,000 to $1,327,000[2]
- Unit sales of receivers have fallen 20% year to date in May from the same time period in 2003. In 2001 to 2002, they fell from 2,176,127 to 2,065,023, and significantly, the only growth categories were in high end surround sound, implying that use of receivers as a pure audio component is declining, but they are being used as home theater components. [3]

3.3.2 MARKET SEGMENTATION

Distributed home audio systems are either single-source, in which the same music is sent to multiple speakers in multiple rooms, or multi-source, in which different rooms can simultaneously access different music. These systems involve amplifiers and wiring to distribute audio to the relevant zones, as well as electronic control units for every room.

Single-Source Audio

For single-source audio distribution, four general approaches can be taken.

- First, for two room installations, people can simply split the output from a single amplifier to multiple speakers.
- For larger installations, a multi zone amplifier produces multiple zones of amplified analogue audio, from which speaker wires are connected to remote speakers.

[1] CEDIA Survery, Product Demand. August 2002.
[2] CEA Market Research. US Consumer Electronics Sales and Forecast. Jan 2002.
[3] CEA Market Research. Monthly US Factory Sales of Separate Audio Components. 2002.

- Third, a more recent approach has been to distribute amplifiers in each room with the speakers. A special power-over-Ethernet technology sends both analogue audio and power over cat-5 cable to the distributed amps and speakers.
- The fourth approach is to send fully digital audio throughout the home and convert it at edges of the network.

Multi-Source Audio
Multi-source audio is more expensive than single-source, but has become increasingly affordable. Although multi-source systems allow people to listen to different music in different rooms, this requires a different source player for every unique stream of music. For example, if people want to listen to two different CDs, there must be two CD players.

3.3.3 INTEGRATED CONTROL SYSTEMS

Effectively controlling a distributed audio system presents a clear challenge, and solutions of different levels of sophistication have been developed. In the most basic versions, every room has an in-wall control panel which controls volume, and slightly more advanced versions include the ability to change source input and source control such as skip, pause, next track, etc. In addition to wall mounted controls, many units include simple IR remotes, which are generally programmable. With IR relays these can also control source components.

More sophisticated remotes include programmable graphical displays, such as the handheld Philips Pronto, ProntoNeo, ProntoPro, or programmed PDAs such as the iPaq. Xantech and AudioAccess provide similar functionality in wall mounted versions.

At the most advanced and expensive level, people with extensive entertainment and home automation systems may prefer to have a single control for all home systems. In this case they will use a larger touch screen panel such as that from Crestron, AMX, Coraccess, Elan, and Philips iPronto.

3.3.4 LIMITATIONS

The professional installers of these systems make most of their profit from selling the electronics at marked up prices. Thus their incentives are not fully aligned with their clients', and they focus on continually up-selling the client to more sophisticated and expensive systems. *Many of these installers will only install equipment they sell, making it difficult for a customer to purchase their own system and then have it professionally installed.* Because these installers cater to wealthy customers, these price inefficiencies are generally not a problem, but the expense does prohibit these solutions from being adopted by a broader market of cost-conscious customers.

Multi-source audio requires a separate source component for every distinct audio stream, which is expensive and inflexible. If two CDs are in the same device, they cannot be simultaneously accessed.

Setting up these systems almost always requires professional installation. Analogue wiring is prone to interference and requires expertise and expensive components to ensure high quality audio. And because *the entire system must be physically wired*, it is not possible to use wireless

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bridges over difficult spans. The installation of wall mounted control units also requires extensive professional wiring.

These systems have not been designed to support digital music. Digital music from a jukebox can be sent as audio-in to the central unit, but the system can not control the selection of music without the most expensive programmable touch screens.

3.4 ONLINE MUSIC SERVICES

There has been a proliferation of legal online music services in the past 3 years. While these have received extensive press coverage, none have become widely adopted. Free-file trading services, although hampered by ongoing shutdowns, lawsuits against users, viruses and bogus files, continue to be popular and a major source of digital music. The fee based legal services all offer one or a combination of three types of music access. From least interactive (and least valuable) to most interactive (and most valuable):

- **Interactive radio:** Internet radio stations based on fine micro-genres or based on user input preferences for artists or songs ratings. Generally < $5 per month.
- **On-demand subscription:** The ability to listen to any song in a large catalog, on demand, for a monthly subscription fee of approximately $10. The model of renting music.
- **Individual track purchase:** The most conventional and most expensive model. Purchasing individual songs for $.79 to $1.00+, after which the user owns the music and can listen to it forever, with almost no restrictions.

Fee based online music services have rapidly developed into a competitive market, with significant new innovations, services, and mergers occurring on a monthly basis. *Analyst firms estimate that all of these services have a combined subscriber base of 500,000.*

One notable success has been Apple iTunes service which has sold 5 million songs within the first 2 months. This is particularly significant because the current version of the service is only compatible with Macs.

Three main challenges confront these services as they search for wider adoption:

- *The need for more extensive music catalogues*. While the major services all now carry approximately 300,000 tracks, consumers have been frustrated by the inability to find exactly what they want
- *A viable pricing model that works for consumers, music service providers, and the recording industry*. Subscriptions are complicated and unfamiliar. Per song fees are not an effective way to take advantage of large song collections, and have only succeeded with Apple.
- *Insufficient and cumbersome delivery technologies*: broadband is necessary for a good experience, audio quality is inferior to CDs, portable players and music appliances are needed to make digital music as convenient as CDs.

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3.4.1 PRIORITY MUSIC SERVICES & STORES

These music services are the most reputable and promising, and have the strongest synergies with Rincon's product. They should thus be given priority in planning for integration.

Listen.com Rhapsody / Real
This streaming only service offers both on demand access, as well as interactive radio stations. Rhapsody also has extensive proprietary artist biographies and lists of related artists. Similar in many ways to Pressplay (except without tethered downloads), Rhapsody has been widely praised for its easy to use interface. Rhapsody also offers fee-per-track downloads for burning CDs and storing on portable players. Listen.com is reportedly developing a UPnP compliant service designed for networked digital audio devices. In June 2003, Rhapsody delivered 11M on demand streams. Recently acquired by Real Networks, Rhapsody may soon gain access to a larger audience.

MusicMatch MX
A long term leader in PC music players, MusicMatch launched a well reviewed interactive subscription radio service called MX. This service is inexpensive, powerful, and requires little input on the user's part. Once stations have been built, they can be saved. This makes these stations well suited to accessing from a simple remote. Reportedly has 140,000+ subscribers.

Pressplay / Napster
Launched as a joint venture of Sony and Universal, and distributed by Yahoo, MSN, and Roxio, Pressplay offers a flexible, albeit complicated, pricing model. Users receive unlimited streams and downloads, yet the downloads only function as long as the user remains a subscriber. Additionally, users can purchase tracks for permanent use or for portable devices. Pressplay has been well reviewed and has the resources to be a strong force in the industry. Recently acquired by Roxio (one of its partners), the service will be merged with the Napster brand in an effort to attract more customers. In response to Apple's success with no-subscription-required per-track sales, Pressplay and other subscription services can be expected to add this option in the near future.

Apple iTunes Music Store
Unlike the services above, iTunes is simply a music downloading store. Bolstered by Apple's strong brand, marketing savvy, customer loyalty, and a very simple pricing model, the iTunes service has had wildly unexpected success, selling 5 million 99cent songs in 2 months. Apple plans to release a PC version of the store within the next year. Since iTunes is download centric, and not designed as an interactive service, it is particularly suited to Rincon's product, because downloads can easily be accessed through a simple remote, unlike interactive services. iTunes should thus be viewed as an important music service for which to develop interoperability. However, until iTunes is available for PC, the audience for iTunes is limited to Apple users only. Further, iTunes is using a proprietary DRM format which they may not allow third party devices to operate with.

3.4.2 SECOND-TIER MUSIC SERVICES

MusicNet
Backed by AOL TimeWarner, EMI, and Bertelsman, MusicNet has usually been a disappointment next to its competitor Pressplay. AOL is now marketing a version of the service